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IN THE

Supreme Court of the United States

October Term, 1957
No. 647

LAS PALMAS FOOD COMPANY, INC., a corporation; PABLO BACA GAVALDON, and RALPH WORTHINGTON,
Petitioners,

vs.

RAMIREZ & FERAUD CHILI CO., a copartnership,
Respondent.

Respondent's Brief in Opposition to Petition for Writ of Certiorari.

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To the Supreme Court of the United States:

A.

OPINIONS BELOW.

The opinion of the District Court is reported in 146 Fed. Supp. 594, 111 U. S. P. Q. 296. The opinion of the Court of Appeals, adopting the opinion of the District Court as its own, is reported at 245 F. 2d 874, 114 U. S. P. Q. 473.

B.

STATEMENT OF JURISDICTION.

Petitioner invokes the jurisdiction of this Court under Title 28 U. S. C., Section 1254(1).

C.

COUNTERSTATEMENT OF THE CASE.

This is an action for trademark infringement and unfair competition, with jurisdiction asserted under the

Trademark Act of 1946 (Lanham Act, 15 U. S. C. 1051-1127) and under 28 U. S. C. 1338(b) [Finding 5, R. 57].

Plaintiff-respondent, Ramirez & Feraud Chili Co., has, since 1922, continuously employed the trademark "LAS PALMAS" in commerce in the United States for various canned Spanish foods and condiments and, since 1948, in the Republic of Mexico and in foreign commerce between the United States and Mexico [Findings 6 and 7, R. 57-58]. The mark is registered for such goods in the United States Patent Office, both with and apart from accompanying design features, under the Trademark Act of 1946, Registration No. 379,295, issued July 9, 1940, and No. 582,054, issued November 3, 1953 [Findings 9 and 10, R. 58-59].

Plaintiff's "LAS PALMAS" foods have been advertised for the past thirty (30) years in the United States and for the past five (5) years in Mexico. Sales have been extensive in both countries under the mark, and plaintiff has developed a valuable good will associated with its "LAS PALMAS" brand and with its label, both in the United States and in Mexico [Findings 11-13, incl., R. 59].

Petitioner-defendant Las Palmas Food Company, Inc., was incorporated in California in 1953 by present counsel for petitioner-defendant Worthington, the latter being a United States citizen, resident within the County of Los Angeles, California, and the President of defendant corporation [Findings 2, 4, 14, R. 56, 57, 59-60]. The name of this corporation was chosen by defendant Worthington with full knowledge of plaintiff's "LAS PALMAS" trademark and with intent to trade on its good will [Finding 15, R. 60].

Petitioner-defendant Baca, a citizen of Mexico, also domiciled in Los Angeles County, California, became associated with defendants Worthington and Las Palmas Food Company, Inc., in 1953 in a joint venture. Defendant Baca, who had previously been engaged in the food business in the United States for some thirty (30) years and was a former customer of plaintiff, had knowledge at the time of this association of plaintiff's prior use of its mark and the good will associated therewith [Findings 3, 16-17, 20, R. 56-57, 60-61, 62].

The purpose and plan of such joint venture was for the defendants to make and sell food products under the "LAS PALMAS" trademark or trade name in the United States and in Mexico [Finding 16, R. 60].

Later in 1953 an application was filed in Mexico by one Fernando De La Pena of Tijuana, Baja California, to register the mark "LAS PALMAS" in the Republic of Mexico for chili sauce and spice. This registration, which issued in February, 1954, was assigned to defendant Baca on November 30, 1954 [Finding 19, R. 61-62].

The sale of the products bearing the Las Palmas Food Company trade name was discontinued in the United States in late 1954 by the joint venturers, but, early in 1955, defendants, using plaintiff's label as a model, caused to be printed in California counterfeit "LAS PALMAS" labels for red chili sauce, using not only the identical trademark "LAS PALMAS" but the exact colors of plaintiff's label and same format, style of printing, and a similar layout and design [Findings 18, 21, R. 61, 62]. In addition to securing these counterfeit labels in the United States, defendants obtained cans and cartons here for use in a processing and packing operation thereafter carried on at Tecate, Baja California [Finding 22, R. 62-63].

Subsequently, in 1955 defendants commenced to pack and sell in Mexico, and particularly in Tijuana, Baja California, where plaintiff's product was widely sold, the spurious "LAS PALMAS" red chili sauce in cans identical to plaintiff's and bearing the counterfeit labels [Finding 23, R. 63].

The copying of plaintiff's trademark and label was with full knowledge by all the defendants of the good will associated with the plaintiff's mark and was done for the purpose of palming off in Mexico the defendant's product as that of plaintiff [Finding 25, R. 63].

The packaging and dress of the goods of the parties are so alike in over-all appearance that confusion among purchasers appears inevitable [Finding 24, R. 63]. Moreover, as stated by the trial court (opinion, 146 Fed. Supp. at 599), defendants' products "are produced and canned in Mexico under comparatively unsanitary conditions, and are inferior in quality to plaintiff's products."

Since United States residents or citizens residing in United States border cities purchase in Mexico many grocery and food items and freely carry them back to this country for consumption, there is a substantial likelihood of confusion among such purchasers, who may by mistake buy defendants' spurious product in Mexico, and plaintiff's good will in the United States is thereby placed in jeopardy [Finding 26, R. 64].

In order to harass plaintiff and coerce its wholesalers and brokers from shipping into Mexico the genuine "LAS PALMAS" product of plaintiff, defendant Las Palmas Food Company, Inc., addressed a communication to plaintiff and each of its brokers and wholesalers selling in Mexico, alleging ownership of the Mexican registration of "LAS

PALMAS" and asserting an infringement by virtue of any exportation to Mexico of plaintiff's "LAS PALMAS" products. This communication was false and was not sent out as a legitimate warning to infringers [Findings 27, 28, R. 64-65].

All of these acts of defendants in the United States and in Mexico were done by the joint venturers pursuant to a plan having for its objective the pirating of plaintiff's market and good will in Mexico for its "LAS PALMAS" products [Finding 29, R. 65].

These activities have resulted in the appropriation of plaintiff's Mexican market and jeopardy to plaintiff's market in the United States; plaintiff's reputation and good will among its wholesalers and distributors in the United States and Mexico have suffered; shipments of "LAS PALMAS" products by plaintiff to its wholesalers and brokers for resale in Mexico have diminished; and such brokers and wholesalers have ceased or diminished their shipments into Mexico. Both interstate and foreign commerce in these goods has been drastically reduced [Finding 30, R. 65-66].

Plaintiff has commenced proceedings in Mexico under Mexican law to effect nullification of the Mexican registration of defendants, based on its earlier use of "LAS PALMAS" in that country, but the First District Court on administrative matters of said Republic has held that plaintiff has failed to establish its prior use in the particular manner required by the Mexican Code of Civil Procedure. These nullification proceedings are presently on appeal to the Supreme Court of Mexico.

Mexican law also recognizes the rights of a prior user in Mexico by precluding a registrant from enforcing

any rights obtained by registration against third parties who, as in the case of plaintiff, have been using the mark in Mexico for more than three years prior to the date of the registration [Findings 31-32, R. 66-68]. This foreign law was, contrary to petitioners' representation here (p. 7), before the District Court.

D.
QUESTIONS PRESENTED.

The petition (pp. 2-3) presents three questions upon which a decision is requested, should this writ be granted. The questions, as formulated by defendants, include lengthy factual summaries which omit important facts detrimental to defendants' position. Plaintiff has rephrased these questions which are sought to be raised by defendants, as follows:

(1) Under all the facts stated, did the District Court have jurisdiction under the Lanham Trademark Act of 1946 (15 U. S. C., Sec. 1051 *et seq.*) to enjoin the infringement and unfair competition by United States citizens or residents consummated in the Republic of Mexico?

(2) Did the acquisition by the defendant Baca of the Mexican registration of the mark "LAS PALMAS" preclude the District Court under the doctrine of comity from enjoining the joint venturers from infringement in Mexico which has affected United States commerce?

(3) Did the decision of the District Court in Mexico, affirming the administrative refusal to nullify the Mexican registration of defendant Baca preclude the United States Court of Appeals, under the doctrine of comity, from affirming the decision of the District Court?

E.

ARGUMENT COUNTERING ASSERTED REASONS FOR THE WRIT.

I.

The Decision Below Is Not in Conflict With the Decision of the Court of Appeals for the Second Circuit in Vanity Fair Mills v. T. Eaton Co., 234 F. 2d 633 (2d Cir., 1956), cert. denied 352 U. S. 871 (1956).

Contrary to petitioners' argument (p. 10), this case is not on all fours with the *Vanity Fair* case, *supra*, on which defendants relied heavily before the courts below.

In the *Vanity Fair* case Judge Waterman, after carefully analyzing the Supreme Court decision in *Steele v. Bulova Watch Co.* (1952), 344 U. S. 280, 97 L. Ed. 319, indicated that three basic factors were present in the latter case when it reached this Court:

> ". . . (1) the defendant's conduct had a substantial effect on United States commerce; (2) the defendant was a United States citizen and the United States had a broad power to regulate the conduct of its citizens in foreign countries; and (3) there was no conflict with trade-mark rights established under the foreign law, since the defendant's Mexican registration had been canceled by proceedings in Mexico." (P. 642.)

He then concluded:

> "Only the first factor is present in this [*Vanity Fair*] case." (P. 642.)

In the case at bar, even if we accept the analysis of the Second Circuit, factors designated (1) and (2) are present, and the Court of Appeals of the Second Circuit

specifically declined to decide the issue in such circumstances, noting by footnote 14:

> "At the time the Fifth Circuit decided the Bulova case, 194 F. 2d 567 [*Bulova Watch Co. v. Steele*, 5th Cir., 1952], the defendant's Mexican registration had not been canceled. Since the Fifth Circuit assumed that the defendant had a valid Mexican registration, it thought the presence or absence of a foreign trade-mark was not a determinative factor. Cf. George W. Luft Co. v. Zande Cosmetic Co., 2 Cir., 1944, 142 F. 2d 536. *We need not decide that question because of the additional fact that the defendant here is not an American citizen.*" (P. 643.) (Emphasis added.)

Important factual distinctions exist between the *Vanity Fair* case and the present action. The defendants in the former were a Canadian corporation and its Canadian officers, who resided in Canada. Defendant corporation had registered its mark in Canada in 1915, prior to plaintiff's initial use in Canada in 1917, and plaintiff's application for registration in Canada was denied in 1919, based upon the defendants' registration. Hence in the *Vanity Fair* case, the plaintiff, who was the later user in Canada, could only satisfy the first of the three factors set out by the Court. The Court felt that in the absence of *both* of the other two factors present in the *Bulova* case, it could not act. It did *not* hold that a valid registration alone in Canada would so preclude it.

In contrast, in the case at bar the defendant corporation and the defendant Worthington are both citizens of and domiciled in California. They conspired in the United States to steal plaintiff's established "LAS PALMAS" trademark and the good will thereof in the United States and Mexico.

In this conspiracy they enlisted the services of their confederate, defendant Baca, a Mexican citizen, also domiciled in California.

Pursuant to this conspiracy formulated in California, the defendants, in a joint venture, deliberately carried out their plans in both the United States and Mexico to the injury of plaintiff.

Defendant Baca later acquired a Mexican trademark registration with the express intent of using it as a cloak, for himself and the other defendants, to trade on plaintiff's established trademark rights.

The defendants argue, however, that, since defendant Baca is a citizen of the Republic of Mexico, the present case is in conflict with the *Vanity Fair* decision, and the lower court should be precluded from exercising jurisdiction over acts of the joint venturers committed outside the United States, in view of Baca's ownership of the Mexican registration. Defendants, by this argument, have not even attempted to justify the plainly illegal activities of either Las Palmas Food Company, Inc., or Worthington. They merely try to hide behind their confederate Baca and urge a conflict with *Vanity Fair* by virtue of his citizenship.

True it is that Baca is a citizen of the Republic of Mexico. He is, however, a resident of the United States, domiciled at Monterey Park, Los Angeles County, California, and therefore equally subject to the Court's jurisdiction as any United States citizen.

As succinctly stated by this court in *Milliken v. Meyer* (1940), 311 U. S. 457 at 463, 85 L. Ed. 278 at 283:

> "The state which accords him privileges and affords protection to him and his property by virtue of his domicile may also exact reciprocal duties."

This is particularly true of defendant Baca, who has also been engaged in the food business in the United States for the last thirty (30) years. After enjoying the privileges and protection of the United States for so long a period, he cannot now defeat the responsibilities imposed by the United States upon its own citizens nor afford his confederates such immunity.

It thus appears that the facts of the present case, involving joint venturers who are United States citizens and a United States resident owning a presently subsisting foreign registration, are most closely paralleled by the facts set forth in the Fifth Circuit decision in *Bulova Watch Co. v. Steele, supra.* In expressly avoiding conflict with this earlier decision, the *Vanity Fair* case also clearly avoids conflict with the case at bar.

II.

No Important Question of Federal Law Is Presented by the Petition.

Petitioners argue (p. 13) that in *Steele v. Bulova Watch Co., supra*, the Court left open the question of whether the foreign registration would affect the power of the Court to enjoin the use of the mark by defendant in the foreign jurisdiction.

However, the point was urged and determined adversely to defendants' position here, in the Court of Appeals in *Bulova Watch Co. v. Steele, supra.*

As of the date of the decision of the Court of Appeals, the Bulova Watch Co., the plaintiff in that litigation, had failed in its efforts in the Mexican courts to secure cancellation of defendant's Mexican registration.

Nevertheless, the Fifth Circuit Court of Appeals determined that it had the requisite jurisdiction, under the

Lanham Trademark Act of 1946, to enjoin the unfair competition in Mexico, further indicating that the Mexican registration of the defendant did not oust it from such jurisdiction:

> "It could not be contended that Steele's Mexican Trade Mark placed upon him any duty to use the name 'Bulova.' The Republic of Mexico was not interested in his exercise of the privilege purportedly granted. *For the United States to exercise its jurisdiction over one of its own nationals involves no conflict with the sovereignty of the Republic of Mexico.*" (P. 571.) (Emphasis added.)

In affirming the decision, this Court in *Steele v. Bulova Watch Co., supra,* noted that Steele's Mexican registration had now been cancelled by the Mexican Court and that "there is thus no conflict which might afford petitioner a *pretext* that such relief would impugn foreign law" (344 U. S. at 289, 97 L. Ed. at 326). (Emphasis added.)

In so characterizing the infringer's argument, albeit moot, this Court rather effectively indicated that it did not regard the same as having much merit, and, had the Mexican registration still been extant, its decision would not have differed.

In the case at bar, as in *Bulova*, plaintiff neither sought, nor did the District Court determine that any act of the Republic of Mexico was unlawful. The United States Court is not asked to find that the Mexican registration is invalid, nor is such a determination necessary as a prerequisite to the protection of United States commerce.

Moreover, in the present case the decision of the Court in Mexico merely held that plaintiff had not established

its proof of prior use in accordance with Mexican law applicable to cancellation or nullification proceedings. The Mexican Court, while upholding to date defendant's right to maintain his *registration* in Mexico did not adjudicate on the right to *use* the mark in that country, and there are pending *in Mexico* no proceedings between the parties seeking to enjoin *use* of the "LAS PALMAS" mark.

Registration in Mexico is nowhere spelled out under Mexican law as a prerequisite to lawful use. There can therefore be no affront to the sovereignty of the Mexican government by a determination of the United States Court that its citizens or residents may not use the mark registered under Mexican law in such manner so as to create unlawful effects in this country (*United States v. Sisal Sales Corp.*, 274 U. S. 268, 71 L. Ed. 1042 (1927).)

Moreover, in *Steele v. Bulova Watch Co., supra*, the record showed no priority of actual trademark use in Mexico of the "Bulova" mark by the Bulova Watch Co., while in the instant case such priority of use in that country for more than three years before the issuance of the Mexican registration is established [Finding 33, R. 68].

Under these facts the Mexican law provides that "The right to the use of a trademark obtained by virtue of its registration shall be ineffectual . . ." against the prior user [Finding 31, R. 66].

So a stronger case in favor of the exercise of the Court's jurisdiction is found here than was presented to the Fifth Circuit Court of Appeals in the *Bulova* case. Here there can be no question of a violation of Mexican sovereignty, since under the law of Mexico, any alleged

right of exclusive use derived from registration in that country is rendered ineffectual against plaintiff under that sovereign's own law.

Thus in the present case there is no real question of comity involved, nor do defendants raise any important question of federal law which was left undetermined in *Steele v. Bulova Watch Co., supra.*

III.

The Court of Appeals Considered the Decision of the District Court of Mexico.

Defendants argue that the Court of Appeals failed to give effect to all facts relevant at the time of the determination of the appeal—namely, the decision of the District Court of Mexico refusing to nullify defendant's registration (p. 14).

This decision was before the Court of Appeals in the form of a printed translation thereof and the alleged effect of the decision was strenuously argued. That the Court of Appeals nevertheless adopted the opinion of the United States District Court without specific reference to the Mexican District Court's opinion does not lead to the conclusion that it was ignored by the Court of Appeals, but only that such Court did not regard the foreign determination respecting *registration* of the mark by defendants as inimical to the United States District Court's decision relative to *use* thereof by defendants, nor in any way determinative of the questions of jurisdiction and comity raised by defendants.

F.

CONCLUSION.

It is submitted that this case does not display any sufficient reason for the grant of a writ of certiorari within the rulings and practice of this Court. There is no conflict or confusion among the courts in applying the fundamental principles of law enunciated by *Steele v. Bulova Watch Co., supra*, nor does this case raise any important questions of federal law which remain to be decided since such decision.

The public interest has been served through the upholding by the Court of Appeals of the preliminary injunction of the District Court.

It is suggested that the petition should be denied.

Respectfully submitted,

FORD W. HARRIS, JR.,
Attorney for Respondent.